

# **Governance, Territoriality and Europeanization**

## **Whither Welfare Regimes?**

### **EXECUTIVE SUMMARY**

#### **Contributors**

##### **The Interdisciplinary Centre for Comparative Research**

*Liana Giorgi*

*Richard Heuberger*

*Rudolf Götz*

*Niki Rodousakis*

*Marika Korn*

##### **GesPol, University of Linz**

*Bettina Leibetseder*

*Christine Stelzer-Orthofer*

##### **International partners**

*Andreas Follesdal (Norway)*

*Thomas Ribemont (France)*

*Project supported by BM:BWK*

*NODE Programme 'New Orientation for Democracy in Europe'*

*2003-2005*

*Contact person: Liana Giorgi, [lgiorgi@iccr-international.org](mailto:lgiorgi@iccr-international.org)*

## Abstract

The extent to and mode in which national welfare regimes converge will determine the contours of the European social model and the future of European social citizenship. Earlier studies on the convergence of national welfare regimes have been based on the comparison of welfare expenditures and output indicators and suggest that convergence, if and when it takes place, occurs slowly and within welfare ‘families’. The present study takes a political-sociological approach and considers the convergence of national welfare regimes at two different levels, namely, the normative level and that of policy / institutional practice.

Is there a convergence of *ideologies* regarding European welfare policy that would allow us to talk about the existence of a European social model at the *normative* level? Further to this, is there a convergence of the *modes* of doing social policy that would allow us to talk about a European social model at the level of *governance*?

The starting point for our research has been the debates on ‘Social Europe’ in the framework of the European Convention on the future of the European Union. In addition, we compare unemployment policy in different European countries as well as social assistance regimes at the sub-national level.

Our research shows that convergence is taking place at the level of policy-making and governance. Contemporary unemployment regimes are more similar than they are different across countries or welfare regimes. The emergence of paradigmatic narratives, such as activation, has contributed to this convergence. Yet at the ideational level, differences remain: there exist different normative views about the role of the state in social policy, the division of competencies between EU supra-national institutions and Member States in this respect or, indeed, about the extent and scope of coordination of social and economic policies. Furthermore, these different views can be mapped against political ideology cleavages, even if less than in earlier times. In turn, these ideological cleavages may impact on the *modus operandi* of social policy, especially how specific policy measures are implemented or regulations interpreted through the administration.

Our findings show that the process of convergence of national welfare regimes follows an institutional path while (still) ignoring normative considerations. Such a process is crisis-prone as it is riddled with inherent contradictions. European welfare regimes are shifting towards the liberal social model even if it is claimed otherwise. At the same time, socio-economic inequalities increase and regional gaps widen. In order to cope with the increasing socio-economic inequalities facing Europe today, a larger debate on the European social model(s) is urgently needed.

## Executive Summary

The literature on welfare regimes tries to capture the differences of different policy frameworks on welfare with regard to their values, ideas, standards and organization. The underlying assumption of this literature is that welfare regimes differ cross-nationally but cluster around types. Countries that are classified as belonging to the same regime type resemble each other in several respects: with regard to their normative paradigmatic orientation, their basic principles, the role they assign to the state, the market and the family, the balance between entitlements and responsibilities, the characteristics of the beneficiaries, the way they assign and distribute risk as well as the way in which their administrative ensemble is organized and policy-making bodies are constituted. The most well-known welfare regime typology is that elaborated by Esping-Andersen in *The Three Worlds of Capitalism* (1990). Esping-Andersen distinguishes between the liberal, conservative and social-democratic welfare regime. The Southern welfare regime represents a fourth type.

The present study deals with the impact of Europeanization of national welfare regimes. In European countries several reforms are currently ongoing in the field of social policy. These are not alone or even primarily the result of initiatives taken by EU institutions. In fact on most key social policy issues like pension or health care there is no EU policy as such. Reforms are often taking place as a result of so-called external pressures that are linked to globalization or demographic ageing. Nevertheless the increasing exchange of information among EU Member States results in a significant increase of comparative information and this, in turn, means that there might emerge harmonizing trends.

There are especially two processes of Europeanization that are relevant for the comparative study of welfare regimes in Europe today. The first concerns *European institutions* to refer broadly to policy-making. With regard to welfare and social policy the key reference is here the European Employment Strategy (EES). The second relevant dimension of Europeanization refers to the political project of *European integration*. These two processes of Europeanization, while analytically distinct, are not independent. The impact of European policies on national welfare systems may give rise to problems at national level that can only be overcome through re-thinking welfare at a different scale and this, in turn, may influence both the European project of political integration and European institutions. Alternatively, existing European institutions and forms of policy-making like the EES may bring about changes in national welfare policies and systems that demand a re-conceptualization of national welfare ideology and such a re-conceptualization may over time lead to the harmonization of both welfare practices and welfare ideologies. A third and not least likely option is that we will continue to observe national differences in welfare regimes within Europe despite harmonizing trends through European institutions or indeed an ever close political union of Europe's people.

Tracing the impact of Europeanization on welfare-state regimes demands a comprehensive research design that does justice to both the different meanings of Europeanization and the complexity of welfare regime design. When researching welfare regimes it is important to distinguish between ideologies and institutional practices. Welfare ideologies include normative standards, e.g. of social justice, normative ideals concerning the responsibility of various social agents, empirical beliefs about the world and the opportunities and risks it offers as well as preferences for certain institutions and policies over others. A welfare system is, however, not alone made up by ideologies. It is additionally composed of several policies that are, in turn, managed by several organizations at different levels and with different degrees of coordination. Such policies and management procedures represent institutions in themselves. We refer to the way these institutions function in real-life as institutional practices.

Following the above distinction, we have decided to look into two distinct fields with regard to Europeanization. The first is the debate on European social values that took place upon occasion of the larger debate on the European Constitution in the framework of the European Convention on the Future of the European Union. This debate provides us a first insight into the contemporary ideological discussion regarding the European social policy agenda and its future. Our second line of inquiry concerns the European Employment Strategy as an instance of a European institution and the impact this has had on unemployment insurance at national level. The primary cases for our analysis are Austria, Norway and France. Secondary cases for our analysis are the UK, Germany, Spain and Poland. Further to the study of the impact of Europeanization on unemployment insurance we explore the development of the means-tested social assistance schemes in two Austrian cities. This allows us to extend our comparative design to the sub-national level.

The study combined a number of social scientific methods including discourse analysis, expert interviews, interviews with recipients of unemployment benefits and social assistance benefits, international comparisons and a consultation exercise.

Our findings can be summarized as follows:

### **Welfare regime convergence at the normative level**

At the normative level, there is wide consensus among political representatives and across Member States and political parties that social values have a legitimate place in the Constitution. The European Union is seen as upholding equality, solidarity and justice next to freedom, democracy, the rule of law and the protection of minorities. There is likewise widespread agreement that shared competences in the formulation and implementation of social policy should respect national differences with regard to welfare and social protection systems. At the same time there is increased recognition that the ‘ever closer Union’ that is emerging through the internal market as well as the supra-national EU institutions tends to ‘favour’ the harmonization of social systems and that such harmonization

may have to go beyond micro-economic and social policy as in the European Employment Strategy.

The picture is less consensual with regard to social objectives or the coordination of social and economic policies. Here we witness the assertion of distinct left-right ideologies which correspond to the normative orientations of the welfare regime typology. Left-leaning politicians are more likely than conservative politicians to favour 'full employment' as opposed to 'high employment' as well as a stronger coordination between social and economic policies. Furthermore, they are more likely to be cautious about the growing significance of the 'open method of coordination' as representing a 'soft', thus inadequate regulatory instrument for social policy.

### ***Welfare regime convergence at the institutional / policy level***

At the institutional level, and specifically with regard to unemployment policy, convergence is more evident. Our findings confirm this conclusion more generally. The three primary countries studied, namely, Austria, France and Norway, but also our four secondary cases Germany, the UK, Spain and Poland, display significant cross-national similarities as well as interesting differences in ways that call for a revision, albeit not a rejection, of the welfare regime hypothesis.

The management of unemployment insurance is similar across countries and characterized by an increasing role for the regions / local authorities as well as the privatization of job-placement related services. Throughout the 1990s we can observe a gradual retrenchment of the income replacement function in terms of both coverage and the amount of benefits. This has been achieved by the stricter linkage of eligibility to previous employment and the reduction of the period of receipt of benefit. Participation in counselling or activation measures is today a sine qua non in all countries studied and failure to adhere to reporting rules or workfare guidelines leads to the loss of benefit. Similar constraints are attached to unemployment assistance as well as to social assistance. Several of the 'sanction' rules are meant primarily to discourage from claiming benefits. As a result there is an increasing stigmatization attached to unemployment or the receipt of social assistance.

Cross-national differences emerge with regard to active unemployment policy. Once again, all three countries underline the importance of further education and training and place a strong emphasis on individual counselling. All have also been linking participation in activation measures to claims to unemployment benefits. However whereas in Austria and Germany the individual unemployed person is the main target of workfare measures, in France the individual enterprise is also targeted quite extensively while in Norway the educational and health systems are equally the focus of labour-market related policies. The budget and scope of activation measures in Poland and Spain is at best characterized by its limited finances and scope.

### ***Minimum social standards vary at regional level***

The comparison of the social assistance systems in Vienna and Linz shows the existence of a significant variation in terms of institutional practices despite the commonality of approach at the strategic level and in terms of legislation. This is undoubtedly the result, at least in part, of a longer social liberal policy and welfare tradition in Vienna as the capital of Austria with a left political orientation. More generally, these results suggest that the decentralization of social policy – a broader trend supported explicitly by the European social agenda – may re-create welfare-regime like differences at the sub-national level.

Considering that social citizenship represents a bundle of rights of *equal* application within a political community, their variable interpretation should not be brushed aside as merely a neutral side-effect of institutional path dependency. Such differences may lead to unintended processes like internal migration motivated by the search for better welfare services; this, in turn, increases the rural-urban gap with regard to social / public services leading eventually to a deterioration of living conditions and social standards. What the EU fears it faces as a result of enlargement and multi-level governance, nation-states already face at the sub-national level as a result of the decentralization of social policy.

With reference to our original question and point of departure, we may conclude that welfare regime convergence has been occurring along the institutional path and with regard to policy but has only begun to be considered at the normative level with regard to fundamental questions with implications for the direction of the welfare state and political organization. At the same time, the ongoing decentralization of social policy is giving rise to new forms of regional inequalities in terms of the provision of social and welfare services.

To conclude, the European social policy agenda finds itself at the crossroads. Till now it was possible to progress on the path of European integration by concentrating on the economic aspects of this project and supporting policy learning in all other fields. However, not least as a result of the success of this economic integration (but not alone), the socio-economic differences within the Union but also within Member States have been increasing.

The biggest challenge for the European Union in the next couple of decades will be that of redressing the balance between economic growth, social cohesion and social justice. To do this it is important to re-consider the role of the (welfare) state at the national and trans-national level. The remedies implied in the old welfare regime typology might in part be out-dated, however they are not irrelevant. They provide a starting point to think through the future challenges for social citizenship in that they continue to inform the perceptions and propositions of political representatives.